

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

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May 20, 2003

FROM: MARK H. UFFER, Director
Arrowhead Regional Medical Center

SUBJECT: AGREEMENTS WITH SIEMENS MEDICAL SYSTEMS, INC.

RECOMMENDATION:

- 1) Approve amendment to Agreement No. 85-140 terminating the Agreement and Agreement Nos. 89-914 and 91-1223 with Shared Medical Systems, Corp. (SMS) (d.b.a. Siemens Medical Solutions Health Services Corporation, as of January 25, 2001).
- 2) Approve service agreement with Siemens Medical Corporation to provide ongoing software support and maintenance for Medical Imaging Department's digital imaging Picture Archival System (PACS), effective May 20, 2003 through May 19, 2004, in an amount of \$287,500.

BACKGROUND INFORMATION: This Board item requires approval of an early termination of the hospital information service agreement with Siemens Medical Solutions Health Services Corporation and the approval of a service agreement for the Medical Imaging Department's PACS.

On March 11, 1985, after the release of a formal Request for Proposals (RFP), the Board of Supervisors approved Agreement Nos. 85-140 and 85-141 with Shared Medical Systems (SMS). These agreements were necessary for the installation of a new Hospital Information System and Laboratory computer system. To date, Agreement No. 85-140 has had eleven amendments.

On December 2, 1991, the Board terminated Agreement No. 85-141, which was for the Laboratory computer system, and approved Agreement No. 91-1223 in its place.

On October 16, 1989, the Board of Supervisors approved Agreement No. 89-914 for a Radiology computer system and an upgrade to the Pharmacy computer system. Due to continuous improvements and updates of these systems, Agreement No. 89-914 has been amended five times.

In February 2001, the Medical Center completed an RFP to replace this system due to high costs for maintenance and continued operation. The company was also planning to sunset a number of applications for which there would be no support.

On March 6, 2001, the Medical Center presented the Board of Supervisors with a proposal to replace the antiquated and expensive SMS information system. The Board was made aware that during the transition to the new system that an agreement was still in place with SMS and that use would be minimal. The Medical Center notified SMS of the intention to make a change in systems. SMS was inflexible in accepting an early termination.

A 1998 contract amendment required the Medical Center to complete payments through January 31, 2003. As part of the RFP Process, ARMC identified this cost to the Board and accounted for this expense as part of the 2001-2002 budget.

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On April 1, 2002, the new Meditech Information System approved by the Board became operational. The system is functioning at optimal levels.

The amount currently owed to SMS is \$628,914. In an attempt to obtain the best value for the Medical Center, the following has been negotiated as part of the termination:

- 1.) An early termination settlement fee of \$341,353. This will absolve ARMC of any further commitment to SMS. The 1998 contract amendment extends into 2003. The new Meditech System was implemented in April 2002. The Medical Center is willing to pay the settlement fee to SMS since approximately \$110,000 per month is realized in savings through the conversion from SMS to Meditech.
- 2.) A one-year full-service agreement to maintain and provide repairs and support to the Siemens PAC digital archiving system. The PAC system is currently on a time and materials basis under a Purchase Order at a cost of \$300,000 annually. The cost of the service agreement will be \$287,500.

In March 2001, the Hospital Director presented this replacement proposal to the Board and projected significant savings to the County. The documentation of those savings is as follows:

April 99 - March 02	Maintenance and Support Fees	=	\$104,517 average/month
April 99 - March 02	Data Exchange Fees	=	\$16,958 average/month
April 99 - March 02	Total Fees	=	\$121,475 average/month
April 02 – Present	Maintenance and Support Fees	=	\$7,407 average/month
April 02 – Present	Data Exchange Fees	=	\$3,928 average/month
April 02 – Present	Total Fees	=	\$11,336 average/month

Based on the above information, during the period that the Medical Center utilized SMS it expended an average of \$121,475 per month. In contrast, during the period that the Medical Center has utilized Meditech, it has expended an average of \$11,336. This represents a saving of \$110,139 per month or \$1,321,668 per year.

In addition, the PAC System is currently maintained on a time and materials basis for which the Medical Center expends approximately \$300,000 per annum. The proposed service agreement is for an annual amount of \$287,500, which represents a saving of \$12,500.

REVIEW BY OTHERS: This item has been reviewed by County Counsel (Charles J. Larkin and Jean-Rene Basle, Deputies County Counsel), on May 13, 2003, and HSS Administration (Beatriz Valdez, Administrative Analyst) on May 13, 2003.

FINANCIAL IMPACT: Funds were budgeted in the current operating budget to address the potential fees for early termination costs. This was outlined to the Board during the Meditech proposal. Without approval of this amendment and service agreement, the Medical Center will expend approximately \$928,914 in early termination fees and PAC System service. However, this amendment and service agreement are for a combined total of \$628,853, a saving of \$300,061.

COST REDUCTION REVIEW: The County Administrative Office has reviewed this item and recommends approval. Termination of all existing agreements with Siemens and approval of a PACS service agreement is necessary to absolve the County of any commitment to Siemens for their hospital information system. This settlement results in a saving to the County of \$300,061.

SUPERVISORIAL DISTRICT(S): All

PRESENTER: Mark H. Uffer, Director, Arrowhead Regional Medical Center, 580-6150

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